SASKATCHEWAN WATER SUPPLY BOARD

ANNUAL REPORT 1983

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BOARD OF DIRECTORS

as at December 31, 1983

Honourable Paul Schoenhals, Chairman
Minister of Energy and Mines

Secretary to the Board
Ian D. Disbery
Crown Investments Corporation

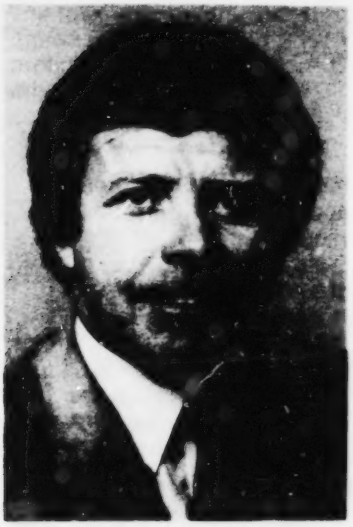
MANAGEMENT

Gerald A. Telfer
General Manager

Wayne E. Randall
Operation Manager

R. Wayne Phillips
Administration Manager

Letter of Transmittal



Watrous, Saskatchewan,
March 20, 1984.

To His Honour,
The Honourable Fredrick W. Johnson,
Lieutenant Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Water Supply Board for the year ended December 31, 1983, including the Financial Statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Water Supply Board Act.

I have the honour to be, Sir,

Your obedient servant,

Paul Schoenhals,
Minister Responsible,
Saskatchewan Water Supply Board.

The Corporation

The Saskatchewan Water Supply Board is a provincial crown corporation which was established by an Order-in-Council on January 25, 1966 pursuant to amendment to The Saskatchewan Water Resources Commission Act. The Board was continued under separate legislation (The Saskatchewan Water Supply Board Act) in 1972 when The Saskatchewan Water Resources Commission Act was repealed and the Department of the Environment established.

Essentially a regional water utility, the Board is responsible for developing and operating multi-purpose water supply projects authorized by the Lieutenant-Governor in Council to service municipal, agricultural, industrial, recreational and wildlife conservation requirements in designated areas.

The Saskatchewan Water Supply Board's works are organized into three distinct systems. The largest of these is the Saskatoon-Southeast Water Supply System, a network of reservoirs, canals and pipelines constructed to distribute water from Lake Diefenbaker. The Saskatoon-Treated Water Supply System, which uses the City of Saskatoon's treated water system as a source of supply, distributes treated water via pipeline to domestic, municipal and industrial users in the surrounding region. In the same manner, the Saskatoon-West Water Supply System, using the South Saskatchewan River as a source, supplies untreated water to various domestic, municipal and industrial users in the Saskatoon area. In total, the Board's three systems consist of 85 miles of canal, 5 reservoirs and 130 miles of pipeline.

The Corporation's Head Office is located in Watrous, Saskatchewan at 411 Main Street with district offices at Blackstrap Reservoir, Saskatoon and Watrous.

Review Of Operations

PIPELINE WATER SUPPLY

The total volume of water supplied by the Saskatchewan Water Supply Board to its pipeline customers increased during the year by 98.4 million gallons or 8.4 per cent from 1,169.6 million gallons in 1982 to 1,268.0 million gallons in 1983. The volume diverted however remains substantially below 1981 diversions of 1,520.3 million gallons and continues to reflect the slowdown in the potash industry. Diversions to municipal customers during 1983 show a modest growth providing an increase of 6.3 per cent over 1982 and a 3.6 per cent increase over 1981.

TABLE OF DIVERSIONS

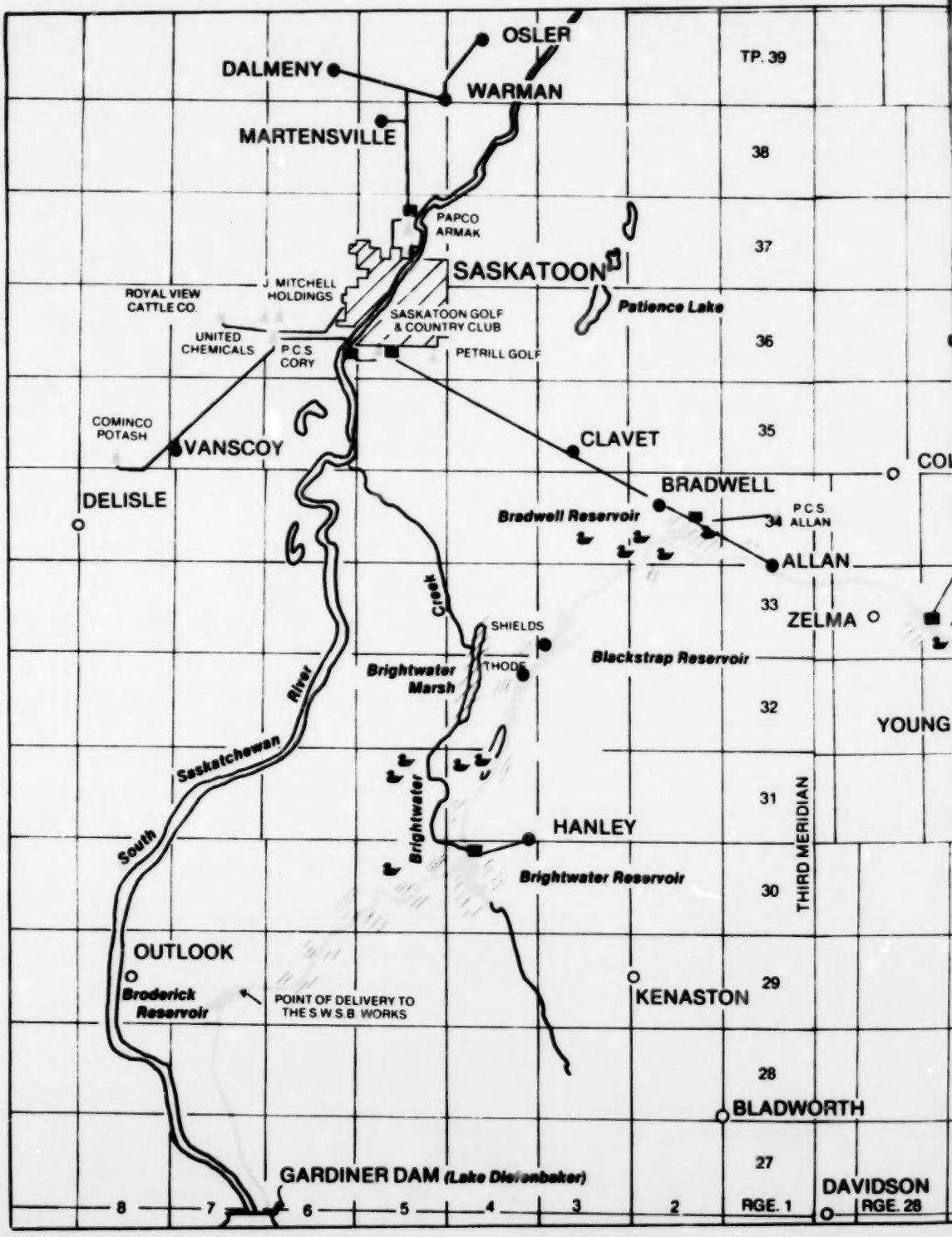
SYSTEM	COMPONENT	Millions of Gallons Supplied			
		1983	1982	Increase (Decrease)	
				Amount	Per Cent
Saskatoon Southeast	Industrial	485.9	434.2	51.7	11.9
	Municipal	92.0	94.4	(2.4)	(2.5)
	Other	3.7	4.0	(0.3)	(7.5)
SYSTEM TOTALS		581.6	532.6	49.0	9.2
Saskatoon-West	Industrial	364.4	328.0	36.4	11.1
	Municipal	7.9	7.4	0.5	6.8
	Other	14.7	12.9	1.8	14.0
SYSTEM TOTALS		387.0	348.3	38.7	11.1
Saskatoon-Treated	Industrial	130.5	139.3	(8.8)	(6.3)
	Municipal	153.4	136.4	17.0	12.5
	Other	15.5	13.0	2.5	19.2
SYSTEM TOTALS		299.4	288.7	10.7	3.7
All Systems	Industrial	980.8	901.5	79.3	8.8
	Municipal	253.3	238.2	15.1	6.3
	Other	33.9	29.9	4.0	13.4
TOTALS ALL SYSTEMS		1,268.0	1,169.6	98.4	8.4

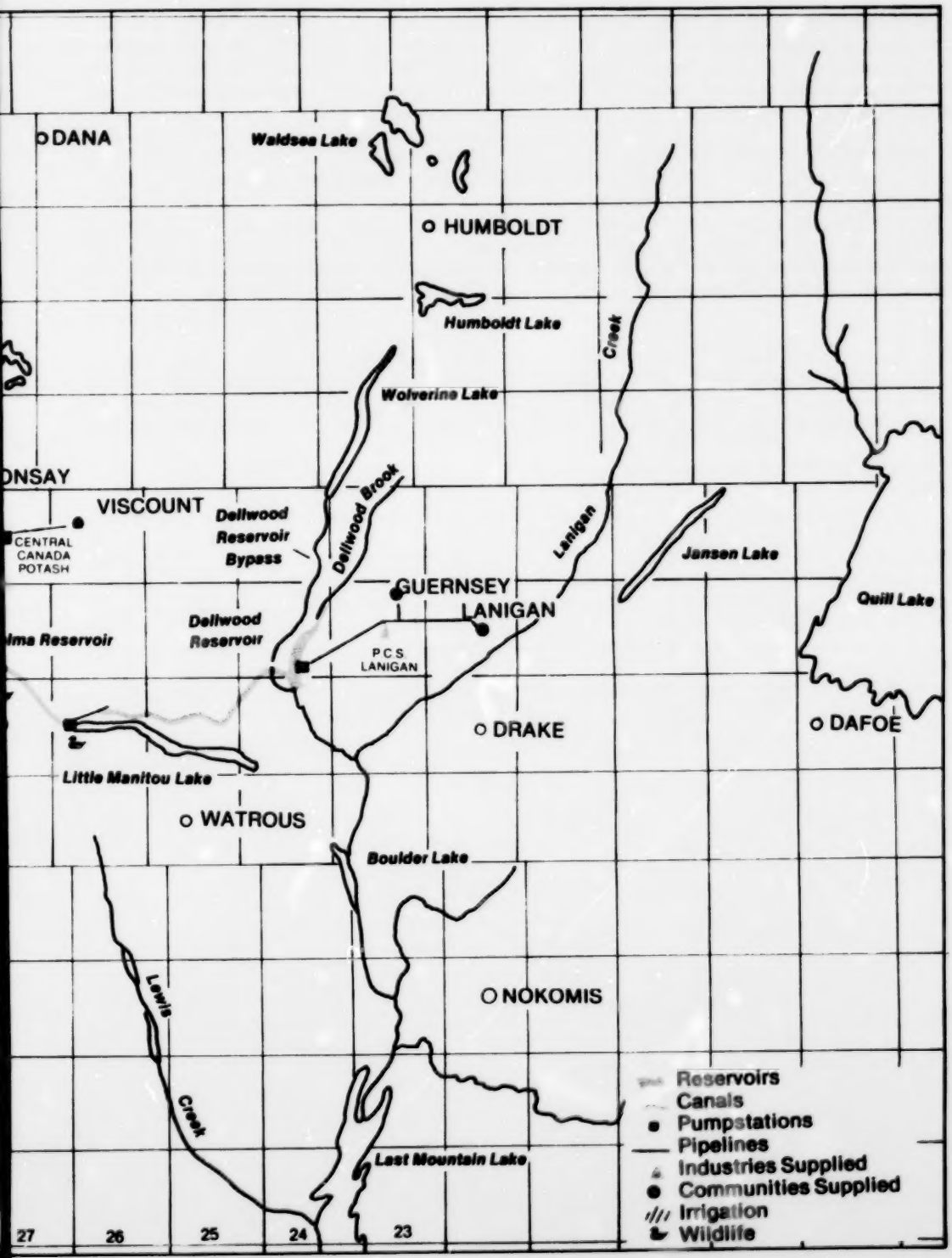
CUSTOMERS

SYSTEM	INDUSTRIAL	MUNICIPAL	OTHER*
Saskatoon-Southeast	PCS-Allan Division PCS-Lanigan Division Central Canada Potash	Shields Hanley Thode Guernsey Lanigan Viscount	21
Saskatoon-West	Cominco PCS-Cory Division Saskatoon Golf & Country Club Petrill Golf	Vanscoy	75
Saskatoon-Treated	PCS-Cory Division United Chemicals Johanna Mitchell Holdings Ltd. Royal View Cattle Ltd. Armak Chemicals **Saskatoon Chemicals**	Allan Warman Bradwell Osler Clavet Dalmeny Martensville	50

*Other includes farm holdings and approved domestic installation

Systems Map


OSLER
DALMENY
WARMAN
MARTENSVILLE
TP. 39
38
37
36
35
PAPCO ARMAK
SASKATOON
ROYAL VIEW CATTLE CO.
J. MITCHELL HOLDINGS
SASKATOON GOLF & COUNTRY CLUB
Patience Lake
UNITED CHEMICALS
P C S CORY
PETRILL GOLF
COMINCO POTASH
VANSCOY
CLAVET
DELISLE
BRADWELL
Bradwell Reservoir
P C S ALLAN
34
ALLAN
33
ZELMA
SHIELDS
Blackstrap Reservoir
Brightwater Marsh
THODE
Creek
River
Saskatchewan
South
32
YOUNG
31
Brightwater
HANLEY
Brightwater Reservoir
THIRD MERIDIAN
30
OUTLOOK
Broderick Reservoir
POINT OF DELIVERY TO THE S.W.S.B. WORKS
KENASTON
29
28
BLADWORTH
27
GARDINER DAM (Lake Diefenbaker)
DAVIDSON
8
7
6
5
4
3
2
RGE. 1
RGE. 28


DANA
Waldsea Lake
HUMBOLDT
Humboldt Lake
Creek
Wolverine Lake
ONSAY
VISCOUNT
Dellwood Brook
Dellwood Reservoir Bypass
CENTRAL CANADA POTASH
Lanigan
Jansen Lake
GUERNSEY
LANIGAN
Quill Lake
Dellwood Reservoir
P.C.S. LANIGAN
DRAKE
DAFOE
Little Manitou Lake
WATROUS
Boulder Lake
NOKOMIS
Lewis Creek
Last Mountain Lake
27
26
25
24
23
Reservoirs
Canals
Pumpstations
Pipelines
Industries Supplied
Communities Supplied
Irrigation
Wildlife

Review of Operations

SURFACE WATER SUPPLY

The Board's surface water customers are the Department of Agriculture and the Department of Parks and Renewable Resources. A moderate increase in utilization was maintained during 1983 with the total volume of water supplied by the Board from canals and reservoirs comprising the Saskatoon-Southeast Water Supply System amounting to 30,892 acre-feet which is an increase of 942 acre-feet or 3.1 per cent over the 1982 diversion of 29,950 acre-feet.

The major use of surface water is in the development of individual irrigation projects. During 1983 a total of 15,374 acres were supplied with irrigation water. This is an increase of 756 acres and accounts for the increased volume of water supplied. It is anticipated that the current rate of development will be maintained during 1984.

Diversions for the Department of Parks and Renewable Resources were made for recreation purposes and in the service of eight waterfowl breeding projects.

Customer/Water Based Program	Acre-Feet Supplied			
	1983	1982	Increase (Decrease)	
			Amount	Per Cent
Department of Agriculture - Irrigation Projects	21,837	20,705	1,132	5.5
Department of Parks and Renewable Resources				
- Recreation	6,300	4,800	1,500	31.3
- Waterfowl Breeding Projects	2,755	4,445	(1,690)	(38.0)
TOTAL	30,892	29,950	942	3.1

Financial Highlights

The Saskatchewan Water Supply Board achieved satisfactory financial results in 1983. Sales volumes were up in 1983 following the sharp downturn experienced in 1982 and these improvements together with a rate increase which was effective January 1, 1983 allowed revenues from operations to increase by $341,320 (13.1%) over 1982 sales. At the same time the Corporation was able to hold expenses, exclusive of interest, to an increase of $126,120 (6.7%) over 1982. Interest cost in 1983 decreased by $330,402 from $456,998 in 1982 to $126,596. This very substantial reduction was due to increased earnings in the Corporation's sinking fund. During 1983 the Corporation also undertook a water management study designed to provide recommendations to consolidate and clarify complete water resources management for the Province.

Net earnings from regular operations in 1983 were $1,031,280, including a gain of $123,731 achieved on the sale of two miles of 12" pipeline to the City of Saskatoon. After deducting the costs of the Water Management Study, net earnings for the year were $724,543. In 1983 the Board of Directors declared a dividend of $724,543 payable to Crown Investments Corporation of Saskatchewan, bringing the total dividends paid by the Corporation since its inception to $1,081,805.

The Corporation undertook two major capital projects in 1983. The first of these was the upsizing of the North Treated Pipeline from the interconnection with the City of Saskatoon's works at a cost of $464,044. This replaced the smaller line which was sold to the City. The second project concerned canal improvements in the Hanley area. In total, capital expenditures for the year were $559,232 compared to $93,507 in 1982.

In order to fund the 1983 Capital Program and improve its working capital position the Corporation borrowed $2,000,000 in 1983 from the Crown Investments Corporation of Saskatchewan. This is the first long-term debt incurred by the Corporation since 1980. The loan is at 10.75% and is repayable in 1988.

During 1983 the Cash and Debt Management Branch of the Department of Finance conducted a review of the Corporation's sinking fund. Following this study it was determined that, in total, the sinking fund had sufficient equity to retire all debt at maturity. In consideration of this situation the requirement that the Corporation make annual sinking fund installments was cancelled under the authority of Order-in-Council number 1616/83. This decision had the effect of improving cash flow for 1983 by $226,425.

In total, the Corporation's working capital position improved from a deficit of $1,036,031 at the end of 1982 to a very healthy positive position of $122,691 at December 31, 1983.

Ten Year Statistical Review

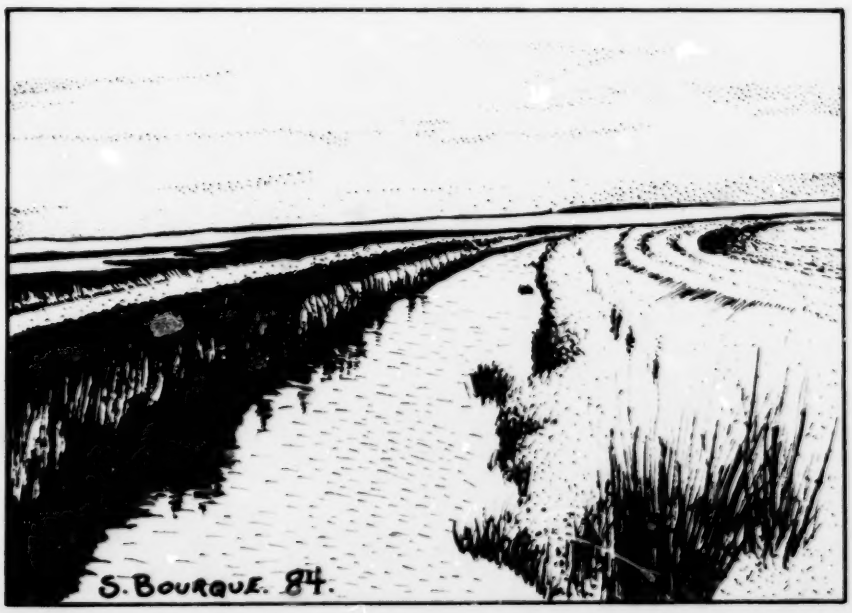
Pipeline Customers	**1983**	**1982**	**1981**
Industrial	13	13	13
Municipal	14	14	14
Other	146	142	140
Water Supplied Pipeline (thousands of gallons)			
Industrial	980,730	901,427	1,239,094
Municipal	253,393	238,344	244,571
Other	33,918	29,815	36,669
Canal (Acre-feet)			
Irrigation	21,837	20,705	17,140
Recreation	6,300	4,800	6,500
Wildlife	2,755	4,445	4,760
Financial (thousands of dollars)			
Operating Revenues	$ 3,165.9	$ 2,696.2	$ 2,805.7
Operating Expenses	$ 2008.0	$ 1,881.9	$ 1,755.7
Operating Income	$ 1157.9	$ 814.3	$ 1,050.0
Interest Expense	$ 126.6	$ 457.0	$ 474.8
Net Income (Deficit)	$ 1031.3 ***	$ 357.3	$ 575.2
Gov't. Contribution	$ —	$ —	$ —
Payroll (thousands of dollars)	$ 655.7	$ 556.3	$ 509.8
Persons Employed (person-years)	19.0	16.7	18.7

*Operating revenues and net income (deficit) figures do not reflect a prior period adjustment of $85,092 of retroactive revenue for years prior to January 1, 1978.

**1980 Other pipeline customers are adjusted to reflect multiple customers on one connection. These were counted as one customer in prior years.

***1983 net income after providing for Water Management Study was $724,543.

1980	1979	1978	1977	1976	1975	1974
13	12	12	11	10	8	8
13	12	12	11	7	6	5
137**	87	87	80	72	59	55
1,185,287	1,139,834	1,051,669	1,157,879	1,023,124	997,423	980,649
228,606	212,557	170,924	108,728	88,343	76,756	72,408
26,140	22,361	21,653	19,898	33,046	22,586	10,052
11,694	9,320	7,663	6,160	3,600	3,600	3,600
4,800	4,100	4,100	4,100	4,100	4,100	4,100
5,962	1,560	1,363	2,507	2,965	2,400	2,400
$2,625.1	$2,205.4	$1,853.3	$1,749.5	$1,328.4	$1,051.0	$ 996.2
$1,491.3	$1,229.1	$1,133.6	$ 982.4	$ 733.9	$ 656.5	$ 641.7
$1,133.8	$ 976.3	$ 719.7	$ 767.1	$ 594.5	$ 394.5	$ 354.5
$ 575.3	$ 626.5	$ 714.5	$ 584.5	$ 633.7	$ 712.9	$ 730.8
$ 558.5	$ 349.8	$ 5.2	$ 182.6	$ (39.2)	$ (318.4)	$ (376.3)
$ —	$ —	$ —	$ —	$ 39.2	$ 318.4	$ 376.3
$ 450.9	$ 376.5	$ 339.6	$ 322.1	$ 256.7	$ 191.1	$ 191.2
18.5	18.0	18.0	19.0	16.0	14.0	15.0

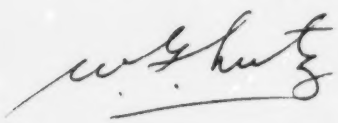


Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Water Supply Board as at December 31, 1983 and the statements of operations and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Water Supply Board as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
January 27, 1984.

W.G. Lutz, F.C.A.,

Provincial Auditor.

Statement of Financial Position

AS AT DECEMBER 31

	1983	1982
ASSETS		
CURRENT		
Cash and short-term investments	$ 1,319,618	$ 121,000
Accounts receivable	240,947	379,747
Prepaid expenses and supplies	41,454	25,332
	1,602,019	526,079
PROPERTY, PLANT AND EQUIPMENT (NOTES 2 & 3)	11,758,423	11,713,672
	$13,360,442	$12,239,751
LIABILITIES AND RETAINED EARNINGS		
CURRENT		
Accounts payable and accrued liabilities	$ 363,975	$ 85,667
Accrued interest	390,810	392,756
Dividend payable	724,543	357,262
Sinking fund installment due within one year	—	226,425
Notes payable	—	500,000
	1,479,328	1,562,110
DEFERRED REVENUE (NOTE 2(d))	706,069	721,255
LONG-TERM DEBT (NOTE 5)	8,718,616	7,499,957
ADVANCE FROM CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN (NOTE 6)	700,000	700,000
RETAINED EARNINGS	1,756,429	1,756,429
	$13,360,442	$12,239,751

(See accompanying notes)

Statement of Operations and Retained Earnings

FOR THE YEAR ENDED DECEMBER 31

	1983	1982
REVENUE		
Operations (Note 9)	$2,944,785	$2,603,465
Gain on sale of water facilities	123,731	—
Other	97,370	92,685
	3,165,886	2,696,150
EXPENSES		
Distribution	1,310,107	1,197,346
Interest (Note 7)	126,596	456,998
Depreciation	377,163	383,058
Administration	320,740	301,486
	2,134,606	2,338,888
NET EARNINGS BEFORE WATER MANAGEMENT STUDY	1,031,280	357,262
WATER MANAGEMENT STUDY (NOTE 4)	306,737	—
NET EARNINGS	724,543	357,262
RETAINED EARNINGS AT BEGINNING OF YEAR	1,756,429	1,756,429
	2,480,972	2,113,691
DIVIDEND TO CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN	(724,543)	(357,262)
RETAINED EARNINGS AT END OF YEAR	$1,756,429	$1,756,429

(See accompanying notes)

Statement of Changes In Financial Position

FOR THE YEAR ENDED DECEMBER 31

	1983	1982
SOURCES OF WORKING CAPITAL		
Operations		
Net earnings	$ 724,543	$ 357,262
Charges and credits to earnings not affecting working capital		
- depreciation	377,163	383,058
- sinking fund earnings	(1,007,766)	(635,605)
- gain on sale of water facilities	(123,731)	—
- other	(62,043)	(62,037)
	(91,834)	42,678
Proceeds of long-term debt	2,000,000	—
Proceeds on disposal of water facilities	260,906	—
Customer revenue prepayments (Note 2(d))	47,000	36,628
	2,216,072	79,306
APPLICATION OF WORKING CAPITAL		
Capital expenditures	559,232	92,905
Sinking fund installment due currently (Note 5)	(226,425)	226,425
Repayment of advance to Crown Investments Corporation of Saskatchewan	—	100,000
Dividend payable to Crown Investments Corporation of Saskatchewan	724,543	357,262
	1,057,350	776,592
Increase (decrease) in working capital	1,158,722	(697,286)
Working capital (deficiency) at beginning of year	(1,036,031)	(338,745)
Working capital (deficiency) at end of year	$ 122,691	$(1,036,031)

(See accompanying notes)

Notes To Financial Statements

DECEMBER 31, 1983

1. Status of the Board

The Saskatchewan Water Supply Board was incorporated in 1966 under The Crown Corporations Act and was continued in 1972 under The Water Supply Board Act. Under the terms of its Act, the Board is responsible for developing and operating multi-purpose water supply projects authorized by the Lieutenant Governor in Council to service municipal, agricultural, industrial, recreational, wildlife and domestic requirements in designated areas. The Board has been designated by Order-in-Council as a Corporation to which the provisions of Part II of The Crown Corporations Act, 1978 apply. Accordingly, the financial results of the Board are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

2. Accounting Policies

(a) Property, Plant and Equipment

These assets are recorded at cost. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and the gain or loss is reflected in income for the year.

(b) Depreciation

The various classes of assets are depreciated and charged to operating expenses as follows:

CLASS	RATE	BASIS
Office Equipment	10%	Straight Line
Maintenance Equipment		
Vehicles and Mobile	30%	Diminishing Balance
Major Mobile	15%	Diminishing Balance
Other	10%	Straight Line
Buildings		
Frame Structures	5%	Straight Line
Masonry Structures	2½%	Straight Line
Water Facilities		
Canals	2%	Straight Line
Reservoirs	2%	Straight Line
Pipelines		
— Steel	2½%	Straight Line
— Asbestos Cement	2½%	Straight Line
— Cast Iron	4%	Straight Line
— Polyvinyl Chloride	5%	Straight Line
Pump Stations		
— Structure	2½%	Straight Line
— Pump Equipment	5%	Straight Line
— Motors and Engines	10%	Straight Line

Accounting Policies (continued)

(c) Capitalization of Expenses

i) Interest Expense

Interest on loans for construction projects is capitalized during the construction period at the average annual rate of borrowing.

(ii) Internal Services

Internally provided engineering and land services are capitalized at a rate of ten per cent of the total of direct project construction costs provided that such costs for an individual project are less than $1,000,000. The object of this policy is to recognize the approximate value of design, supervision and administration services rendered by Board employees on construction projects.

For projects with estimated total direct construction costs of greater than $1,000,000 the actual costs of internally provided engineering and land services are accumulated and capitalized.

(d) Amortization of Deferred Revenue

Deferred revenue represents revenue prepayments which are required in some cases from customers at the commencement of supply under the Board's standard pricing structure. Customer revenue prepayments are amortized into operating revenue at 5 per cent per annum straight line. Amortization credited to revenue in 1983 totalled $62,186 (1982 - $61,937).

3. Property, Plant and Equipment

	1983			1982
Property, Plant and Equipment	**Cost**	**Accumulated Depreciation**	**Net Book Value**	**Net Book Value**
Office Equipment	$ 43,066	$ 28,890	$ 14,176	$ 16,399
Maintenance Equipment	271,028	187,462	83,566	103,164
Buildings	722,936	153,968	568,968	588,568
Water Facilities	14,176,546	4,423,547	9,752,999	9,672,149
Under Construction — Water Facilities	20,990	—	20,990	14,983
Land	1,317,724	—	1,317,724	1,318,409
	$16,552,290	$4,793,867	$11,758,423	$11,713,672

4. Water Management Study

The Saskatchewan Water Supply Board undertook a study to provide recommendations to consolidate and clarify complete water resources management for the Province. The terms of reference for the study included providing recommendations concerning the means by which the existing developmental and operational functions for water supply and waste treatment can be consolidated and clarified and the means by which the above functions can be effectively administered. The project costs for 1983 were $306,737 (1982 nil).

Notes To Financial Statements

DECEMBER 31, 1983

5. Long-Term Debt

Loans consist of the following:

Year Received	Year Payable	Interest Rates	Debt Recorded	Equity in Sinking Fund
1967	1987	5.945%	$ 5,932,000	$4,079,802
1968	1988	6.585%	6,133,000	3,993,402
1969	1989	7.485%	1,124,000	626,807
1971	1991	6.930%	657,000	244,130
1977	1997	8.880%	1,030,000	113,243
1980	2000	12.000%	900,000	—
1983	1988	10.750%	2,000,000	—
			$17,776,000	$9,057,384
Long-term debt - net of sinking fund				$8,718,616

All loans with the exception of the loans received in 1980 and 1983 from the Crown Investments Corporation of Saskatchewan are payable to the Consolidated Fund of the Province. Repayment terms for these loans are established by the Government of Saskatchewan. Up to December 31, 1982, loans received in 1967, 1968, 1969 and 1977 were subject to annual sinking fund installments equal to one and one-half per cent of the recorded liability and the loan received in 1971 was subject to an annual sinking fund installment equal to two per cent of the recorded liability. In 1983 it was determined that in total the sinking fund had sufficient equity to retire all debt at maturity and, therefore, under the authority of Order-in-Council number 1616/83 this requirement was cancelled effective January 1, 1983. All loans received in 1967, 1968, 1969, 1971 and 1977 are subject to repayment upon six months notice.

Equity in the sinking fund is represented by the accumulated amount of sinking fund installments made to December 31, 1983 together with the accumulated earnings on the investments included in the fund. Investment transactions of the sinking fund are initially recorded at cost. Premiums and discounts on the purchase of bonds and debentures are amortized to earnings over the term of the security. Gains or losses on the disposal of securities are included in earnings in the year the security is sold. The sinking fund is managed by the Investment and Financial Services Branch of the Department of Finance.

6. Advance from Crown Investments Corporation of Saskatchewan

The advance from the Crown Investments Corporation of Saskatchewan to the Board is interest free and repayable at the discretion of the Corporation.

Notes To Financial Statements

DECEMBER 31, 1983

7. Interest Expense

Interest expense is as follows:

	1983	1982
Total interest expense	$1,152,883	$1,113,358
Less: Interest earned:		
Sinking fund	1,007,766	635,605
Short-term	18,521	16,122
Other	—	4,633
	1,026,287	656,360
Net interest expense	$ 126,596	$ 456,998

8. Remuneration of Directors and Senior Officers

The Corporation's directors received no remuneration from the Saskatchewan Water Supply Board as directors in either 1983 or 1982. The three senior officers (1982 - three) received in aggregate $154,506 in salaries in 1983 (1982 - $139,957).

9. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms with the following exceptions.

The Board has entered into contracts with two government departments. The contracts provide that billings be prepared substantially on the basis of a predetermined share of the Board's fixed capital and operating costs rather than solely on the basis of a unit charge for water consumption. The contracts further state that payments by the departments are subject to appropriation of the necessary funds in each fiscal year. Revenue earned from these contracts in the current year totalled $777,294 (1982 - $746,121).

Loan obligations due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.